



DECISION

Decision of December 15, 2017

DATE:

12/15/2017

ORGANIZATION:

Division of Banks

Petitioner: East Boston Savings Bank

Respondent: Division of Banks

Decision relative to the merger of Meetinghouse Bank, Dorchester, Massachusetts with and into East Boston Savings Bank

East Boston Savings Bank, East Boston, Massachusetts (East Boston) has applied to the Division of Banks (Division) for authority to merge with Meetinghouse Bank, Dorchester, Massachusetts pursuant to the provisions of Massachusetts General Laws chapter 167I, section 3. Under the terms of an Agreement and Plan of Bank Merger dated as of August 1, 2017, Meetinghouse Bank will merge with and into East Boston under the charter, by-laws, and name of East Boston (Continuing Institution). The main office of East Boston will remain the main office of the Continuing Institution after consummation of the

proposed merger, and the Continuing Institution will retain both of the banking offices of Meetinghouse Bank as branch offices. The merger application was filed in connection with a multi-step transaction in which Meridian Bancorp, Inc. (Meridian), a Massachusetts stock holding company, will indirectly acquire the stock of Meetinghouse Bank through a merger of Meetinghouse Bank's bank holding company, Meetinghouse Bancorp, Inc. (Meetinghouse Bancorp) with OFD Acquisition Corp. (Merger Sub), a wholly-owned subsidiary of Meridian formed for the sole purpose of facilitating this multi-step transaction.

According to an Agreement and Plan of Merger (Parent Merger) dated as of June 25, 2017 at the effective time of the proposed transaction, Merger Sub will merge with and into Meetinghouse Bancorp resulting in Meetinghouse Bancorp becoming a subsidiary of Meridian, and then Meetinghouse Bancorp will merge into Meridian Bancorp. At the time of the Parent Merger, Meetinghouse Bank will merge with and into East Boston (Bank Merger).

Legal and Procedural Requirements

Notice of East Boston's application was posted and published as directed by the Division thereby affording opportunity for interested parties to submit comments. The period for filing comments has expired. During the open comment period, one comment was received from a housing group related to both banks' mortgage programs. East Boston responded to the Division relating to the comment. The Division has reviewed the application and supplementary materials submitted by East Boston in accordance with applicable law, including the statutory criteria of whether competition among banking institutions will be unreasonably affected and whether public convenience and advantage as well as "net new benefits" will be promoted by approval of the proposed transaction. The Division also considered both banks' records of performance under the Community Reinvestment Act (CRA) as well as financial and managerial factors.

The Parent Merger will be completed pursuant to the authority set forth in Massachusetts General Laws chapter 167I, section 3. An application to the Commonwealth's Board of Bank Incorporation is not required for the proposed transaction because, pursuant to Massachusetts General Laws chapter 167A, section 3, the Parent Merger and Bank Merger will occur at the same time, and the Bank Merger requires the Division's approval. In reviewing the proposed transaction, the Division must receive notice from the Massachusetts Housing Partnership Fund (MHPF) that satisfactory arrangements have been made consistent with Massachusetts General Laws chapter 167A, section 4 and the MHPF's affordable housing loan programs. The Division received notice from the MHPF that satisfactory arrangements have been made for this transaction in a letter dated November 27, 2017. In addition, the Depositors Insurance Fund confirmed by letter dated December 8, 2017 that satisfactory arrangements have been made relative to providing excess deposit insurance for deposits of the Continuing Institution. Also, The Co-operative Central Bank confirmed by letter dated November 20, 2017 that satisfactory arrangements have been made in connection with the Bank Merger.

The Parties

East Boston is a Massachusetts-chartered stock savings bank and is the sole banking subsidiary of Meridian, a Massachusetts stock holding company. In addition to its main office in East Boston, Massachusetts, East Boston operates 31 full-service branch offices in the greater Boston metropolitan area. As of September 30, 2017, East Boston had total assets of approximately \$5.0 billion and total deposits of approximately \$3.9 billion. East Boston offers a full range of personal and business checking, deposit, and loan products and services. East Boston's deposits are insured up to allowable limits by the Federal Deposit Insurance Corporation (FDIC), and amounts in excess of FDIC insurance are insured by the Depositor's Insurance Fund.

Meetinghouse Bank is a Massachusetts stock co-operative bank and the sole banking subsidiary of Meetinghouse Bancorp. In addition to its main office in Dorchester, Massachusetts, Meetinghouse Bank operates a branch office in Roslindale, Massachusetts. As of September 30, 2017, Meetinghouse Bank had total assets of approximately \$114.1 million and total deposits of approximately \$95.2 million. Meetinghouse Bank offers a range of personal and business checking, deposit, and loan products and services. Meetinghouse Bank's deposits are insured up to allowable limits by the FDIC and amounts in excess of FDIC insurance limits are insured by the Share Insurance Fund of The Co-operative Central Bank.

Competition

Materials have been submitted to address the issue that competition among banks will not be unreasonably affected by the proposed transaction. In analyzing the impact of a proposed transaction on banking competition, the Division considers, but does not rely exclusively upon, the guidelines used by federal authorities to review bank mergers. Essentially, these guidelines define relevant markets and measure concentration, which is considered an important indicator of competitiveness. The starting point in the federal analysis is the Herfindahl-Hirschman Index (HHI), an arithmetic measure of market concentration that synthesizes the distribution of market shares and the number of banks in the affected market into a single value. In this case, the HHI analysis demonstrates that consummation of the transaction will not result in an undue concentration of banking resources. In addition to that analysis, the Division considers the competitive impact of the proposed transaction on a community-by-community basis, as well as on the overall banking structure of the Commonwealth. In that regard, East Boston presented information that the proposed transaction will not have a significant adverse effect on competition nor result in an undue concentration of banking resources in the communities served by the Continuing Institution. Information provided indicated that there are a large number of financial institutions to choose from in the metropolitan Boston area. Accordingly, the review of the transaction's impact on competition supports its approval.

Public Convenience and Advantage

The Division next considered the record of the application to determine whether public convenience and advantage will be promoted. East Boston has provided information to show that the banking public will benefit as a result of the proposed merger. As discussed further below, the customers of Meetinghouse Bank will have access to a greater array of products and services offered by East Boston.

In determining whether to approve a petition under the statutory criteria, the Division is required to consider a showing of “net new benefits” related to the transaction. That term as set out in section 3 of said chapter 167I includes initial capital investments, job creation plans, consumer and business services, and commitments to maintain and open branch offices, among other factors that the Division may deem necessary. East Boston addressed this requirement of the statute. The Continuing Institution plans to make capital investments in new signage and will be converting Meetinghouse Bank to its core processing system. With regard to employment, although there will be some loss of jobs, the continuing institution anticipates future growth which will lead to additional job creation. The materials submitted as part of the application indicate that customers of Meetinghouse Bank will benefit from expanded and enhanced products and services, including improved electronic banking services and more convenient banking hours. As stated above, the Continuing Institution will maintain the main office and the branch of Meetinghouse Bank as branch offices. Customers of Meetinghouse Bank will benefit from additional locations, higher lending limits and broader products and services. Accordingly, the factors related to public convenience and advantage, including net new benefits, are consistent with approval of East Boston’s application.

Related to the issue of public convenience and advantage is the record of CRA performance by the banks that are parties to this transaction. Such review for Massachusetts-chartered banks includes examination by personnel of the Division. A publicly available descriptive rating and evaluation by a federal bank regulatory agency may also be considered. East Boston received a “Satisfactory” rating in its most recent CRA performance evaluation conducted jointly by the Division and the FDIC as of June 19, 2017. Meetinghouse Bank also received a “Satisfactory” rating in its most recent CRA performance evaluation conducted by the Division and the FDIC as of March 9, 2015. The Division’s consideration of the CRA performance of East Boston and Meetinghouse Bank also supports the approval of the proposed merger.

Financial and Managerial Considerations

The Division also reviews and considers the financial and managerial aspects of the proposed transaction. According to materials submitted as part of the application, at the effective time of the proposed transaction, each share of Meetinghouse Bancorp common stock issued and outstanding will convert to the right to receive \$26.00 in cash. No financing will be necessary to pay for the acquisition of

Meetinghouse Bank. Materials provided indicate that upon consummation of the transaction, the Continuing Institution will meet all regulatory capital requirements.

According to the application, the boards of directors and senior management of Meridian and East Boston will not change as a result of the proposed transaction. Accordingly, upon review, the financial and managerial considerations support approval of the application.

Conclusion

Upon review of the complete record of the application with reference to the relevant statutory and regulatory requirements, the Division concludes that all such requirements have been met, and that consummation of the proposed transaction is in the public interest. On the basis of these considerations, and subject to the conditions set forth below, approval is granted for Meetinghouse Bank to merge with and into East Boston under the charter, by-laws, and name of East Boston pursuant to section 3 of chapter 167I of the General Laws. Approval is also granted for East Boston to maintain the main office and branch office of Meetinghouse Bank as branch offices.

The approval granted herein is subject to the following conditions:

1. That the proposed merger shall not become effective until a Certificate signed by the Presidents and Clerks, or other duly authorized officers of each bank, indicating that each institution has complied with the provisions of Massachusetts General Laws chapter 167I, section 3 has been returned with my endorsement thereon;
2. That the proposed merger shall not become effective unless the Articles of Merger with my endorsement thereon are filed with the Secretary of State; and
3. 3. That the proposed merger shall be consummated within one year of the date of this Decision.

Terence A. McGinnis

December 15, 2017

Commissioner of Banks

Date